



8 January 2015

## TESCO UPDATE

Dave Lewis - CEO, Alan Stewart - CFO

**TESCO**

# Agenda

- Since we last met
- Results: Q3 and Christmas Trading
- Update on three key priorities
- Next steps



# Since we last met

- 23<sup>rd</sup> October  
First half impact of commercial income overstatement  
Immediate priorities set out
- 9<sup>th</sup> December  
New commercial approach  
Full year guidance provided: 'no more than £1.4bn'
- 8<sup>th</sup> January  
Update on priorities  
Guidance reiterated



# Investing in our customer offer



Service



Availability



Price



# Service



6,700  
colleagues



More than 2  
million hours

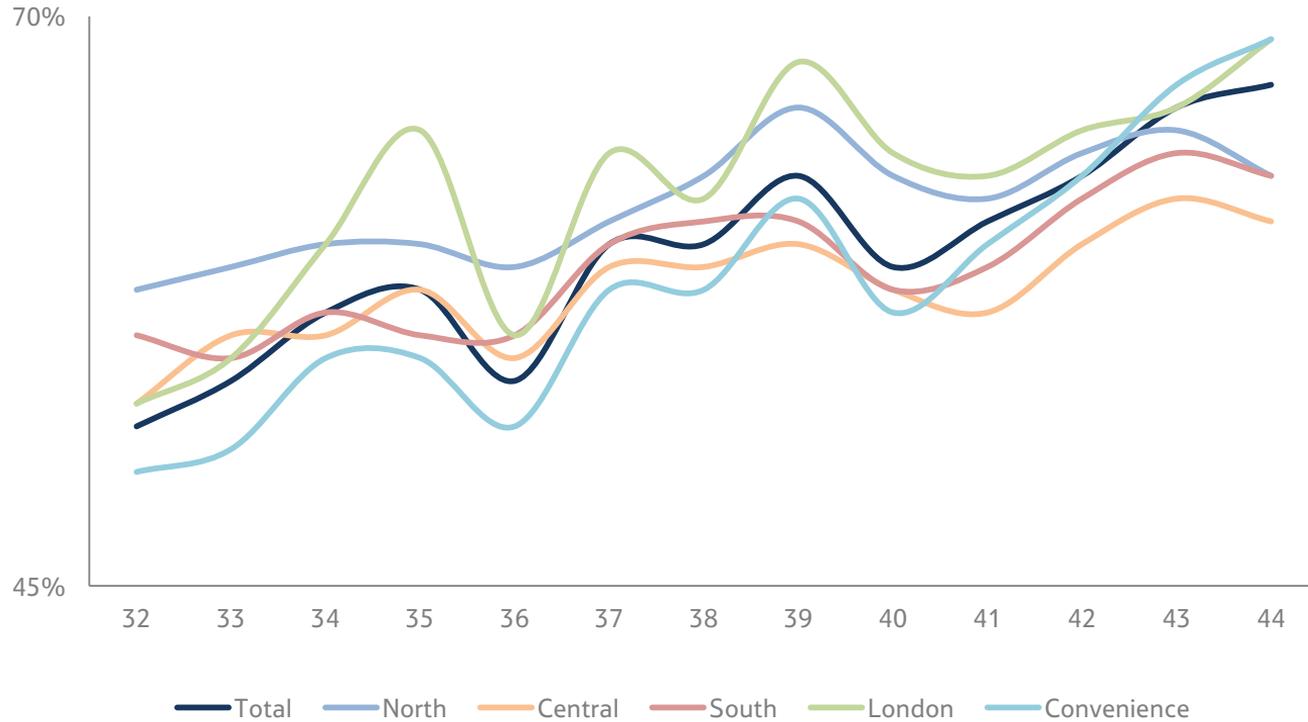


Feet on the  
Floor



# Customer metrics

Customers rating overall service & colleague helpfulness as excellent

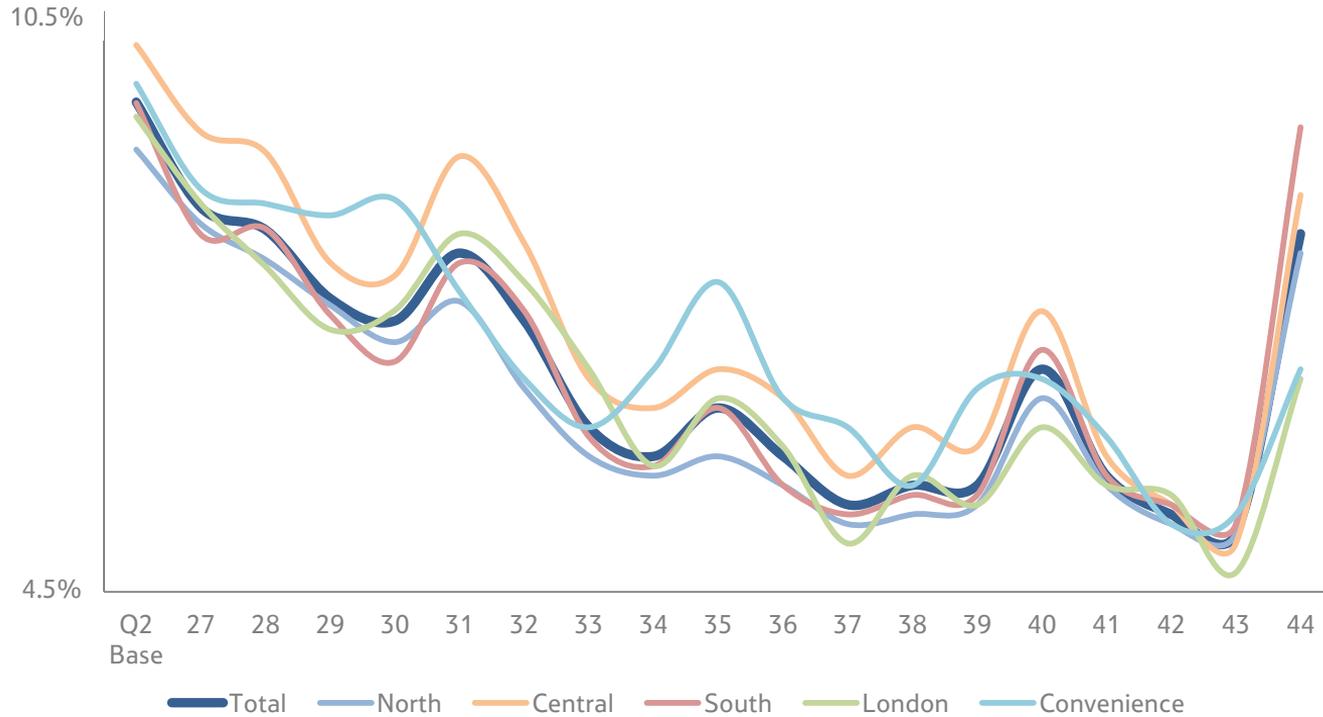


Source: Customer Viewpoint measure



# Customer metrics

## Evening 'I Don't Queue' performance



Source: Retail Dashboard report



# Availability

98.4%

Dot com

93%

9pm sales  
based

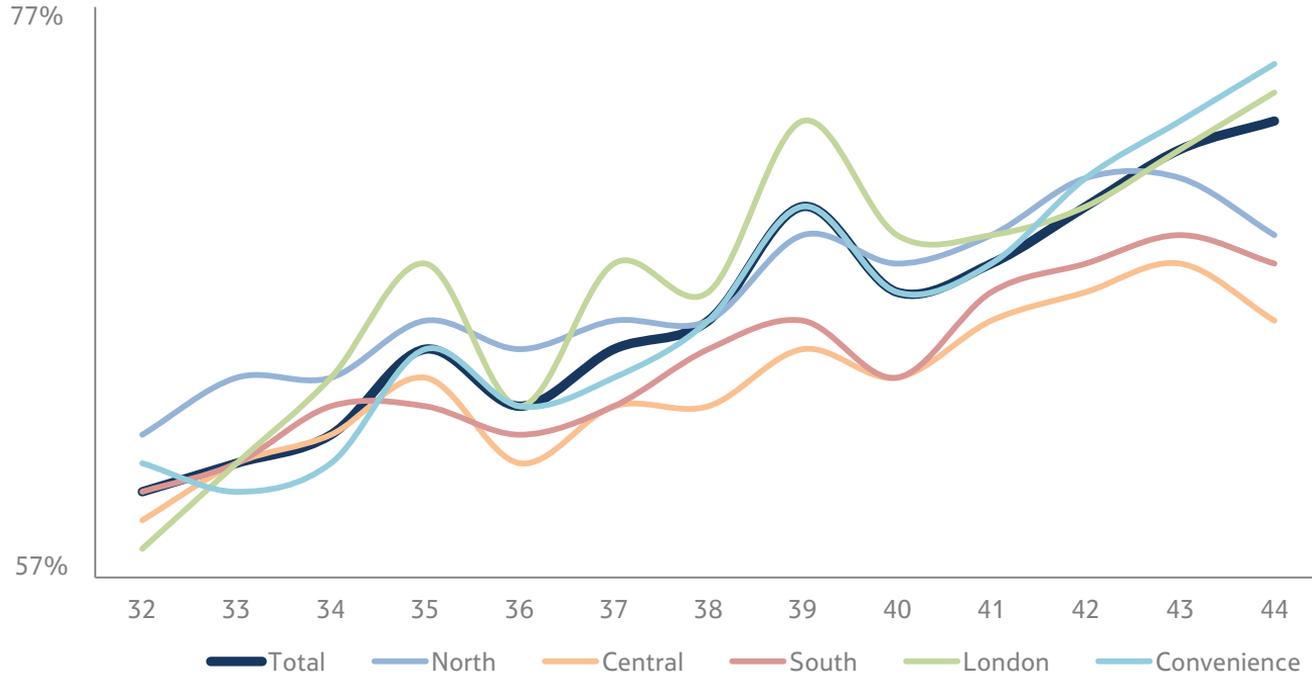
250

1,000 lines



# Customer metrics

Customers who were strongly satisfied with overall availability



Source: Customer Viewpoint measure



# Selective investment in price



1,000 lines



Category  
review

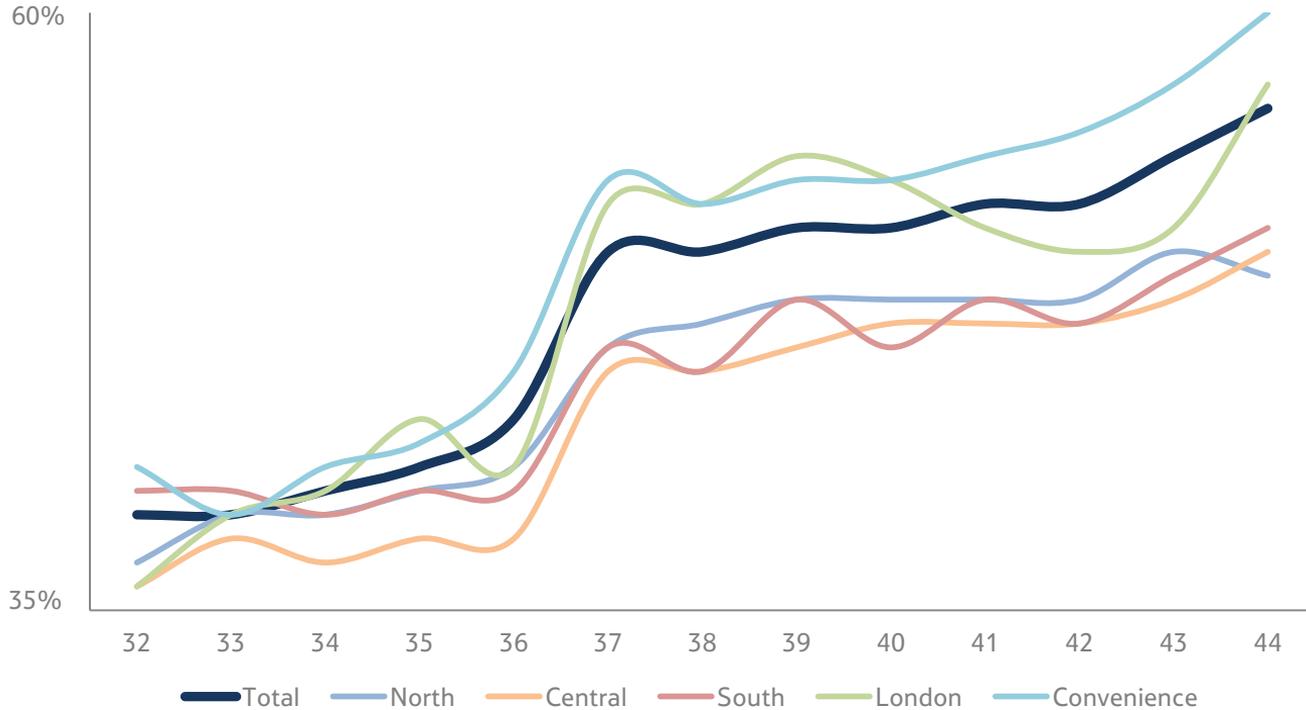


Promotional



# Customer metrics

## Customers very satisfied with the prices paid



Source: Customer Viewpoint measure



# And....



Time



Stock



Service



# Results – 3Q and Christmas Trading

	Like-for-like sales growth*			
	1Q	2Q	3Q	Christmas
UK	(3.7)%	(5.4)%	<b>(4.2)%</b>	<b>(0.3)%</b>
Asia	(3.2)%	(4.9)%	<b>(5.0)%</b>	<b>(3.9)%</b>
Europe	(1.0)%	(2.5)%	<b>(1.2)%</b>	<b>1.0%</b>
<b>Group</b>	<b>(3.2)%</b>	<b>(4.8)%</b>	<b>(3.8)%</b>	<b>(0.6)%</b>

\* Inc. VAT, Exc. Fuel.



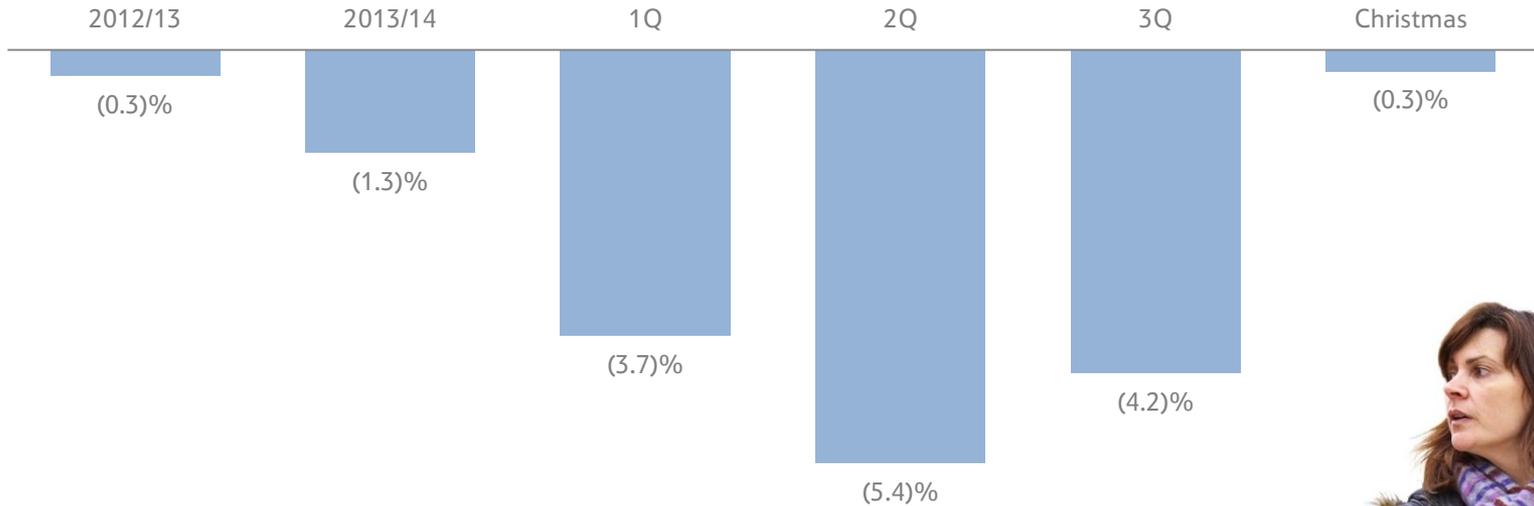
# Results – 3Q and Christmas Trading

	Total sales growth* (constant rates)			
	1Q	2Q	3Q	Christmas
UK	(1.7)%	(3.3)%	<b>(2.6)%</b>	<b>1.2%</b>
Asia	1.5%	(0.9)%	<b>(1.7)%</b>	<b>(1.0)%</b>
Europe	(0.6)%	(1.6)%	<b>(0.3)%</b>	<b>1.6%</b>
Tesco Bank	3.6%	5.8%	<b>2.7%</b>	<b>3.8%</b>
<b>Group</b>	<b>(0.9)%</b>	<b>(2.5)%</b>	<b>(2.0)%</b>	<b>0.9%</b>

\* Inc. VAT, Exc. Fuel.



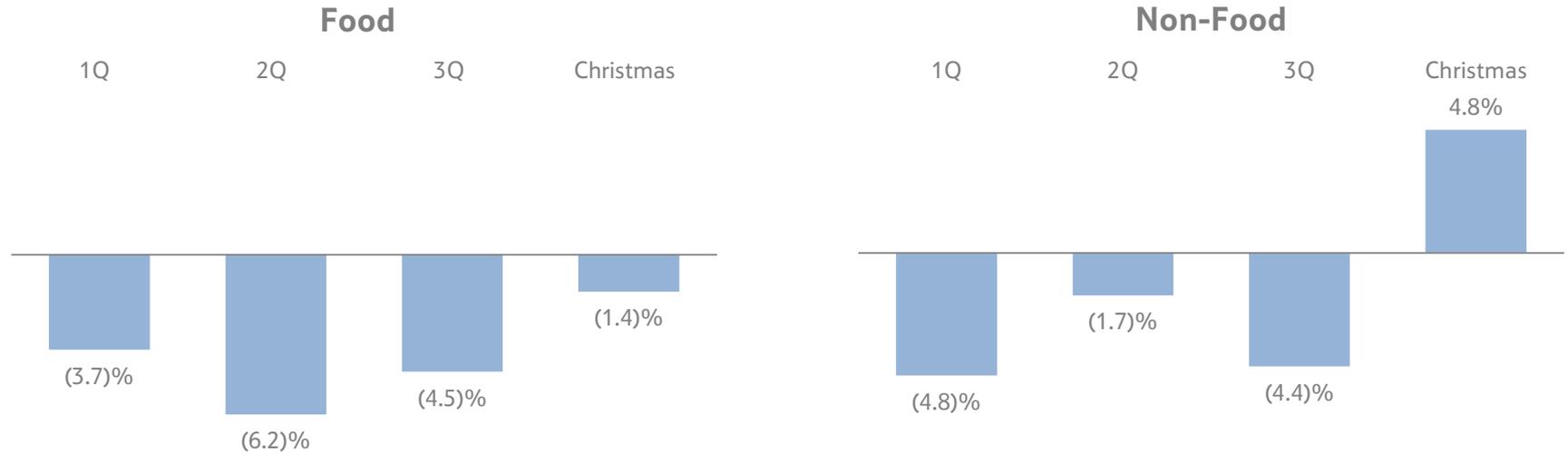
# UK like-for-like sales performance\*



\* Inc. VAT, Exc. Fuel.



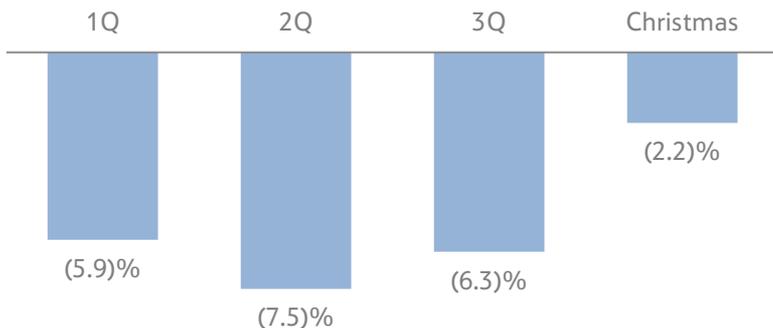
# UK Category like-for-like sales performance\*



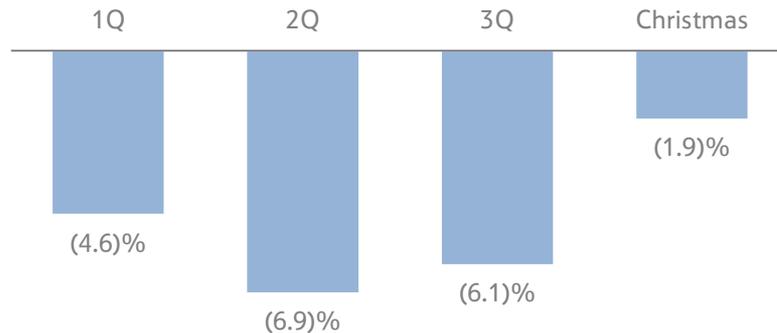
\* Inc. VAT, Exc. Fuel.

# UK Format like-for-like sales performance\*

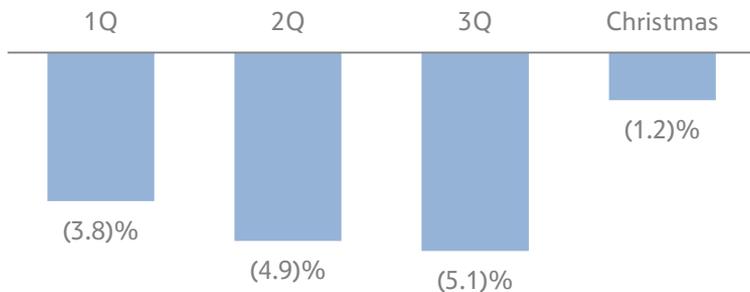
## Extra



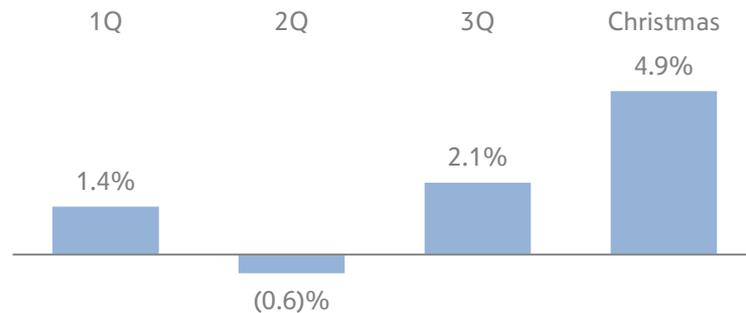
## Superstore



## Metro



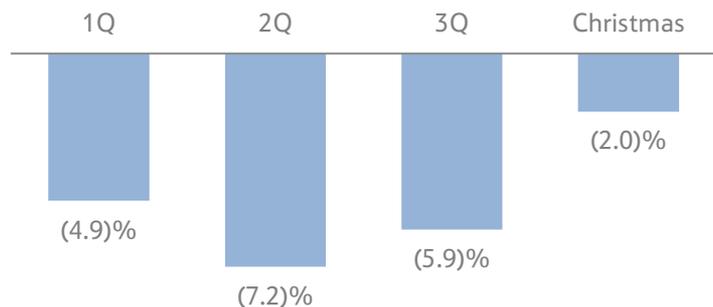
## Express



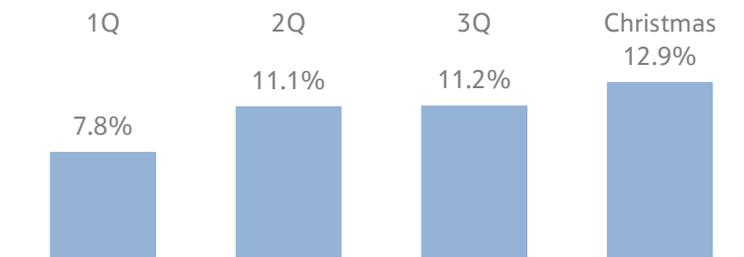
\* Inc. VAT, Exc. Fuel. Excludes statutory adjustments.

# UK Channel like-for-like sales performance\*

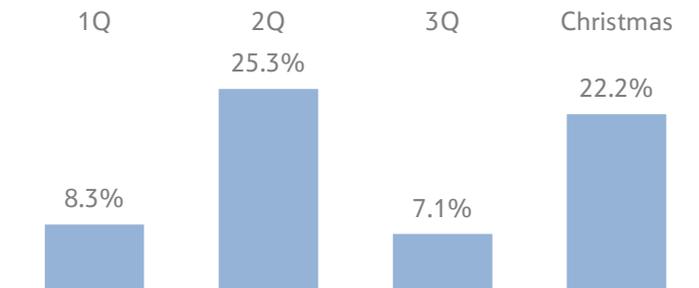
## Stores



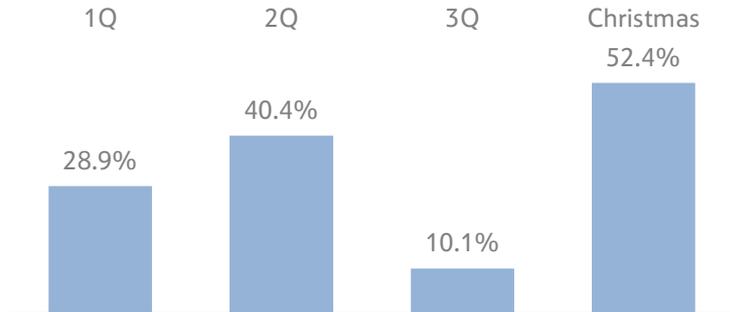
## Grocery Home Shopping



## Online General Merchandise

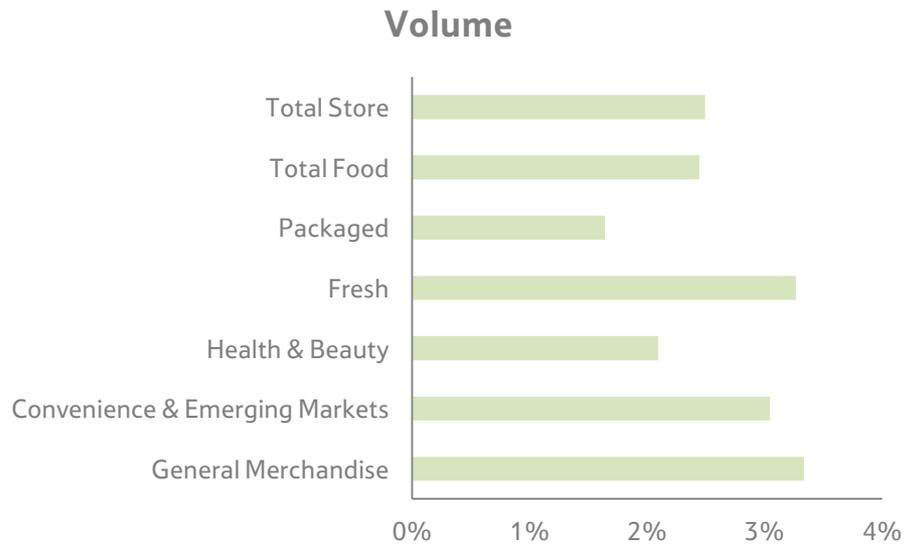
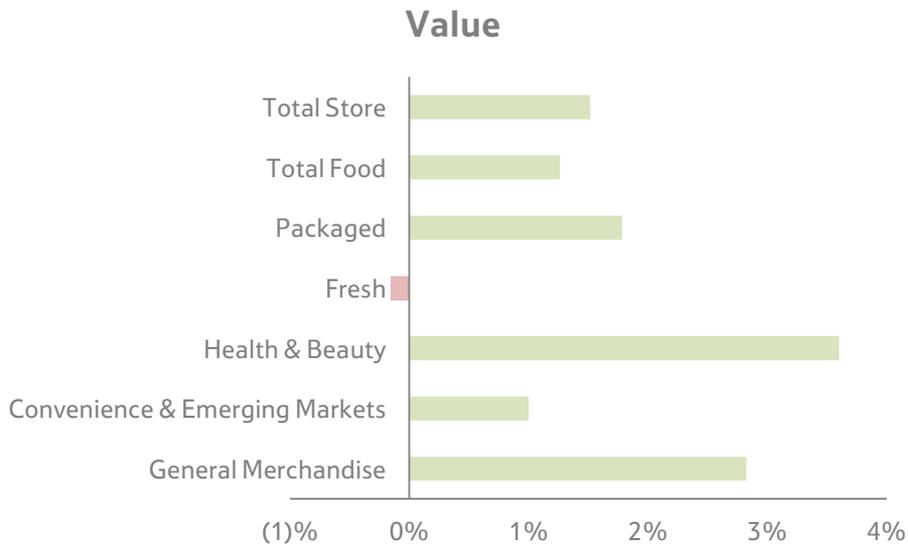


## Online Clothing



\* Inc. VAT, Exc. Fuel. Excludes statutory adjustments.

# UK Category like-for-like sales performance versus the market\*



\* Data is for Tesco Weeks 40-44 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry. IRI market definition excludes Aldi and Lidl.

# Team Tesco



# Executive Committee changes



Trevor Masters - CEO, International



Matt Davies - CEO, UK & Ireland

# Three priorities

- 1 Regaining competitiveness in core UK business
- 2 Protecting and strengthening the balance sheet
- 3 Rebuilding trust and transparency



# 1 Regaining competitiveness in core UK business

2015

## Customer-focused retail excellence

- Service
- Availability
- Stock
- Price integrity

## Category range resets

- Customer-centric
- Balance quantum and rate margin
- Create new category value

## Customer reasons to re-believe



# 1<sup>st</sup> Jan: Sweet-free checkouts

All formats  
All checkouts  
from 1<sup>st</sup> January  
2015

Industry-  
leading



Healthier  
options



Healthier  
lives



# 8<sup>th</sup> Jan: The Nation's Favourite Brands



Brands



Unit Price



No promotion



# Simple, agile, lower cost



Restructuring

£250m+  
per annum

Cost reduction



Closure of 43  
unprofitable stores



Store management  
structures

## 2 Protect and strengthen the balance sheet

- Property
- Pensions
- Capital expenditure
- Portfolio
- Dividend



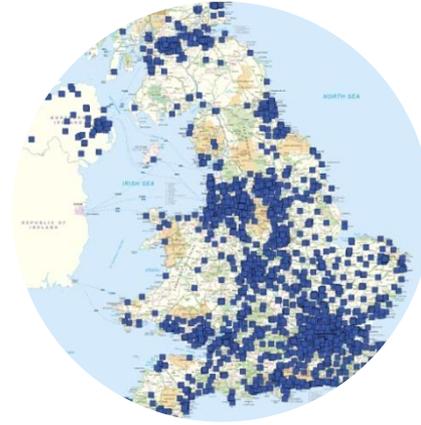
# Property



Pipeline review



End-to-end  
property review



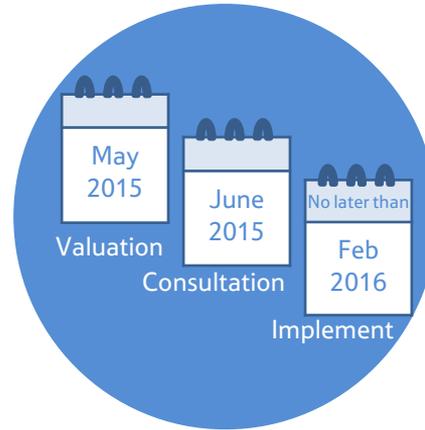
# Pensions



Important  
benefit



Consultation



Timing



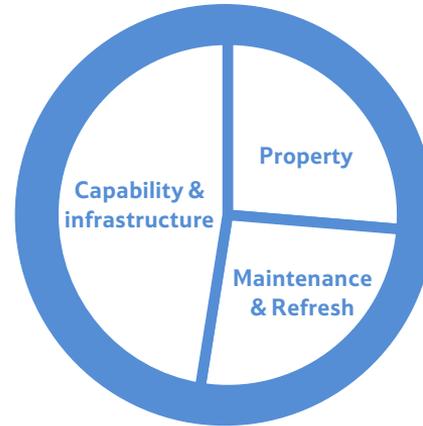
# Capital expenditure



2015/16



Discipline



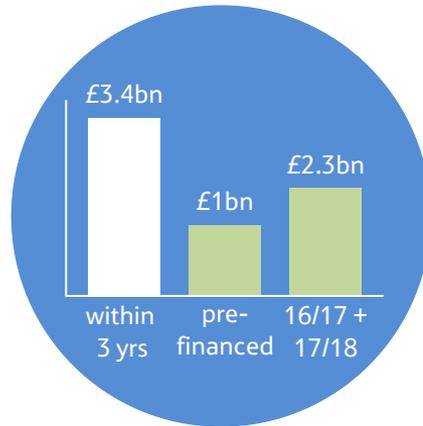
Allocation



# Reshaping the portfolio – some facts



Strong funding  
and liquidity



Good maturity  
profile



Continue to review  
full-value options



# Reshaping the portfolio



TalkTalk



dunnhumby



Long-term  
strategic benefit



# Dividend

No final  
dividend

2014/15

Protecting and  
strengthening  
balance sheet

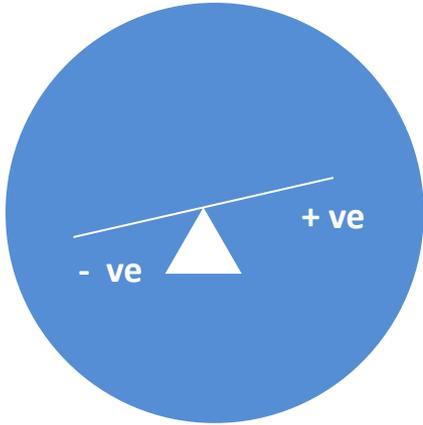
Discipline

Investment in  
proposition

Priority



### 3 Trust and transparency



Brand



Ways of working



Investment case



# Brand



Pricing you can trust



New category approach



Innovations



# Brand



Farm to Fork  
500,000 children



Food collections  
21.5 million meals



Diabetes UK  
£18 million



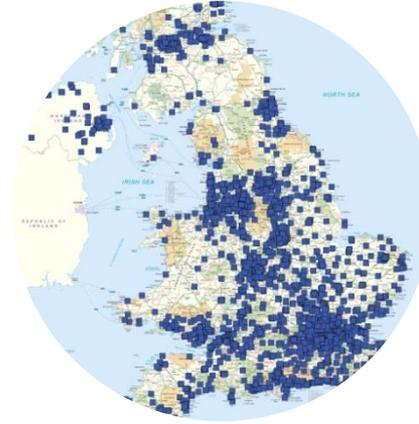
# Accounting and the investment case



Commercial  
income



Modern stock  
take



Property  
review



# The way ahead

- Multi-year programme
- Difficult changes, impacting all stakeholders
- High level of volatility
- Doing the right thing for customers and the business
- Actions to strengthen the balance sheet will continue
- First call on margin improvement will be further investment in customer offer
- Sustainable recovery driven by volume combined with rigorous financial discipline and a particular focus on cash



# Summary

- Investment in core service, availability and selectively price
- Key customer measures improving
- Period to Christmas trading an encouraging first step in LFL
- Significant cost reduction programme
- First step to progress balance sheet: disposals and pensions
- New initiatives to improve customer proposition and brand
- Putting the customer first
- Reshaping relationship with suppliers
- Treating our colleagues and communities fairly and with dignity



# Priorities

- 1 Regain competitiveness in UK
- 2 Protect and strengthen the balance sheet
- 3 Rebuild trust and transparency



PUTTING OUR CUSTOMER FIRST



Q & A



# Disclaimer

This document may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Tesco as of the date of the statement. All written or oral forward-looking statements attributable to Tesco are qualified by this caution. Tesco does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Tesco's expectations.